REMARKS

Claims 1-33 are currently pending in this application. By this Response, Applicant is canceling claims 31-33 without prejudice to renew such claims in a continuation application. Accordingly, claims 1-30 are at issue.

The Examiner has rejected claim 31-33 under 35 U.S.C. 101. Applicant has canceled these claims without prejudice to reinstate in a continuation application. Accordingly, Applicant respectfully submits this rejection is now moot.

The Examiner has rejected claims 1-30 under 35 U.S.C. 103(a) as being unpatentable over Levine. Applicant respectfully traverses this rejection.

The invention of claim 1 is directed to a method of providing a loan wherein a first institution provides money for the loan, and a second institution is responsible for monitoring and administering the loan. According to claim 1, the method specifically requires "obtaining indemnification for said first institution of **all risk** for providing said money for said loan." (Emphasis added). That is, the first institution will not lose any money due to the delay in payment or default of the borrower.

As acknowledged by the Examiner "Levine does not disclose obtaining indemnification for said first institution of all risk for providing said money for said loan." (Office Action of January 24, 2006, p. 4). Notwithstanding this lack of disclosure, the Examiner simply asserts:

> Official Notice is taken that it is old and well known in the art to obtaining indemnification for an entity of all risk for providing a product. For example, an insurance company takes all risk when a car is damage [sic] or [incurs] loss due to an accident by providing an amount of money to cover the damage or loss. Therefore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify Levine's to adopt the well known feature above for the purpose of providing more efficiency in monitoring the loans in order to reduce the risk for lenders. (Office Action of January 24, 2006, p. 4).

In making this rejection, the Examiner fails to understand the claimed invention and misapplies Levine (as modified with the features given "Official Notice"). Additionally, the Examiner has failed to make a prima facie showing of obviousness because there is no incentive in the art to make the combination as proposed by the Examiner.

The Examiner views the indemnification as a risk reducer for the lender. However, contrary to the Examiner's position, the indemnification of claim 1 does not reduce the risk of the lender (which would correspond to the second institution – i.e., the party monitoring and administering the loan). Instead, the indemnification actually eliminates risk for the money provider (i.e., the first institution) **and concentrates the risk back onto the Lender** (i.e., second institution). So the Indemnification actually has the **opposite** effect of that assigned to it by the Examiner. Insurance is always used to lessen, spread or completely transfer risk for the person or entity buying the insurance. The process of claim 1 intentionally does not attempt to accomplish that result. When a lender has lower risk, it then has less incentive to be diligent in managing the loan. By concentrating the risk back onto the lender, the loan is managed appropriately given the loan's inherent, total risk. That is, the more a lender can lessen, spread or completely transfer risk, the **riskier** the whole process becomes because the lender is the only entity managing the risk. So as their risk goes down, the lender's need to manage properly goes down. As the risk goes up to 100%, the whole system benefits because the lender will manage to the absolute best of its ability.

In the present invention, because the money provider (i.e., the first institution) has *its* risk eliminated, the cost of money gets reduced to a level never before experienced in the history of finance. Due to the elimination of risk to the money providers, Banks (for example) that are money providers as part of this process can participate without the penalty of having to reserve against these assets.

As set forth below, the method of claim 1 provides numerous benefits not disclosed or appreciated by Levine. These include:

a) Concentrated, focused risk on the party controlling and managing risk (already mentioned above);
b) Cheaper cost of money (already mentioned above);
c) No Reserve Requirement for Banks (already mentioned above);
d) Easier access to the plethora of loan products for Borrowers;
e) Easier migration from one loan product to another;
f) Ability of Borrower to obtain non-Bank managed loan products through their bank;
g) Makes cash management of non-bank managed loan products more efficient;

h) Lowers non-bank lender-to-borrower money transfer costs;
i) Cheaper borrowing costs to borrowers of non-bank loans;
j) Lower 'switching costs' when moving between bank and non-bank lending products;
k) More complete lending product line for banks;
l) Risk-free fee generation for banks;
m) Non-banks can tap into the large scale marketing presence of banks;
n) Practically eliminates non-bank lenders' advertising costs;
o) Drastically reduces the cost to non-banks for raising capital;
p) Better access for non-banks to the cash collateral of borrowers;
q) Allows Insurance Companies to participate more in the lending markets;
r) Taps into Insurance Company's legal ability to defer revenues as Reserves;
s) Reduces the FDIC's role as sole Bank Insurer (as Indemnifications begin to protect participating bank's assets);
t) Reduces the amount of money governments, and therefore taxpayers, have to spend to bail out banks with bad loans;
u) Drastically reduces 'political risk' when a U.S. based non-bank lender participates with a foreign bank to make loans in the foreign bank's country (this is especially beneficial to weak and developing nations);
v) Drastically reduces 'currency risk' when a U.S. based non-bank lender participates with a foreign bank to make loans in the foreign bank's country (this is especially beneficial to weak and developing nations); and ,
w) Drastically increases the number of lenders and loan products in weak and developing nations.

In addition to failing to appreciate the invention of claim 1, the Examiner failed to make a prima facie showing of obviousness because there is no motivation or incentive in the prior art to modify Levin in the manner suggested by the Examiner. See *In re Napier*, 55 F.3d 610, 613, 34 U.S.P.Q.2d 1782, 1785 (Fed. Cir. 1995). Instead, the Examiner simply concludes such a modification is obvious because of a perceived benefit from such modification. This is clearly insufficient.

Obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed.

Cir. 1988); *In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992). Here, there is absolutely no incentive in Levine or anywhere else in the prior art to modify Levine in the manner suggested by the Examiner. When the motivation to combine or modify the teachings of the reference is not immediately apparent, it is the duty of the Examiner to explain why the combination of the teachings is proper. *Ex parte Skinner*, 2 USPQ2d 1788 (Bd. Pat. App. & Inter. 1986).

The Examiner bears the initial burden on factually supporting any *prima facie* conclusion of obviousness. See MPEP § 2142. In the present case, the Examiner fails to meet this burden, and simply concludes the claimed method is obvious without providing any supporting factual basis for this conclusion.

Accordingly, Applicant respectfully submits claim 1 is patentable over Levine as improperly modified by the Examiner. Claims 2-13 depend on claim 1, either directly or indirectly, and include each of its limitations. Accordingly, Applicant respectfully submits claims 2-13 are also patentable over Levine as modified by the Examiner.

Claim 14 also is directed to a method wherein a first institution is indemnified for providing the money for the loan, and a second institution is the party administering the loan. Accordingly, for the reasons given above with respect to claim 1, Applicant respectfully submits claim 14 is patentable over Levine as modified by the Examiner. Claims 15-22 depend on claim 14, either directly or indirectly, and include each of its limitations. Accordingly, Applicant respectfully submits claims 15-22 are also patentable over Levine as modified by the Examiner.

Claim 23 is directed to a method wherein an Intermediary company is indemnified for providing the money for the loan, and a Contractor is the party administering the loan. Accordingly, for similar reasons to the ones given above with respect to claim 1, Applicant respectfully submits claim 23 is patentable over Levine as modified by the Examiner. Claims 24-28 depend on claim 23 and include each of its limitations. Accordingly, Applicant respectfully submits claims 24-28 are also patentable over Levine as modified by the Examiner.

Claim 29 is directed to a method wherein a Bank is indemnified for providing the money for the loan, and a commercial finance company is the party administering the loan. Accordingly, for similar reasons to the ones given above with respect to claim 1, Applicant

respectfully submits claim 29 is patentable over Levine as modified by the Examiner. Claim 30 depends on claim 29 and includes each of its limitations. Accordingly, Applicant respectfully submits claim 30 is also patentable over Levine as modified by the Examiner.

CONCLUSION

In light of the foregoing amendments and remarks, Applicant respectfully requests reconsideration and allowance of claims 1-30. The Examiner is invited to contact the undersigned attorney if there are any questions concerning this Response.

Respectfully submitted,

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By: [signature]

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CERTIFICATE OF MAILING

I hereby certify that this correspondence is being deposited with the United States Postal Service as first class mail, postage prepaid, in an envelope addressed to: MAIL STOP AMENDMENT, Commissioner for Patents, PO Box 1450, Alexandria, VA 22313-1450, on May 24, 2006.

Sarah J. Goodnight (244757)